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SOR Update for September Quarter 2020

Perth, Australia, 27 October 2020 – Strategic Elements Ltd (ASX:SOR), a Pooled Development Fund with a mandate to back Australian innovation, is pleased to provide an update on the company's activities for quarter ended September 30, 2020.

Managing Director Charles Murphy said "Significant work was conducted on the Nanocube Printable Memory technology to the stage where a large collaborative project with a budget of over $1,000,000 was able to be formed between Australian Advanced Materials, CSIRO and the University of New South Wales. This will greatly assist the Nanocube technology going forward whilst minimizing cash costs to the Company.

"The other focus for the quarter was in subsidiary Stealth Technologies Pty Ltd that has attracted one of the world's leading Companies 'Honeywell' as a collaboration partner. A robotic security vehicle has been designed and built by the Stealth team and commenced testing for delivery to the Western Australian Department of Justice, who operates multiple correctional facilities in Western Australia. The Company is currently targeting a very large global market in Perimeter Security".

Stealth Technologies

Most of the focus for the quarter was in preparing the Autonomous Security Vehicle (ASV) for User Acceptance Testing (UAT) with Honeywell and WA Department of Justice. Stealth continued to develop its technology platform (AxV) to automate mundane or dangerous tasks and enable robots to do things that were not possible or economic before. The AxV platform consists of automated robotics software and hardware which can be adapted to different sizes of vehicles and physical tasks. Stealth has also worked to identify use cases in sectors such as security, mining, agriculture and logistics.

Perimeter Security Solution

The first product release from the AxV platform is an Autonomous Security Vehicle (ASV) for perimeter security. The ASV is under collaboration for the correctional and justice sector with giant software-industrial company 'Honeywell' (market cap approx. USD 100 Billion). The parties are collaborating to build experimental autonomous robotic vehicles for security applications.

Honeywell is a Fortune 100 technology company that delivers industry specific solutions that include aerospace products and services; control technologies for buildings and industry; and performance materials globally. Honeywell operates total asset and facility management operations globally across a range of market segments including Justice, Commercial, Health, Defence and Hospitality.

The critical infrastructure sector is a large segment that is being impacted by issues such as terrorism, coronavirus and the growing need to secure people and assets. In Australia alone there is a significant opportunity in securing critical infrastructure facilities. For example, utilities that provide critical services of water, electrical or gas; communications facilities for mobile, satellite and internet networks; energy facilities; or transport such as rail, ports or airports.

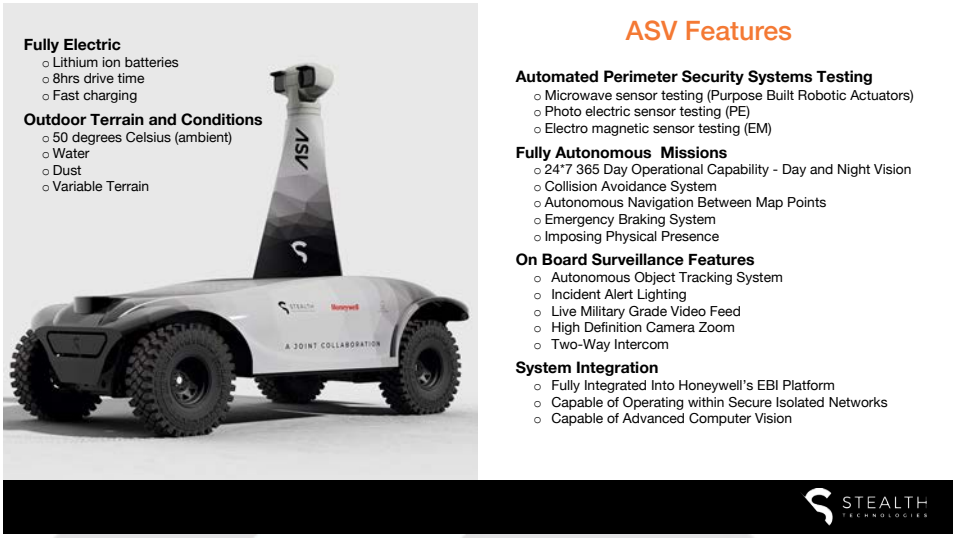
The Global Perimeter Security Market is forecast to be growing quickly at CAGR of 12.0% over the forecast period 2020-2026 (**reaching USD 282.26 Billion by 2025**).[1]

Collaboration

During the period Stealth Technologies, the WA Department of Justice and Honeywell continued to collaborate on building the ASV, **a fully autonomous robotic security vehicle** for the Eastern Goldfields Regional Prison in Kalgoorlie. Video of the ASV can be found here – ASV Collaboration Video

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The parties are collaborating to research and develop a fully autonomous security vehicle to inspect, test and confirm the integrity of the secure perimeter. Potential outcomes include a) reducing labour intensive tasks to empower prison officers to concentrate on managing the safety, security and rehabilitation of the prisoners and b) providing staff with a greater ability to randomise testing and additional patrols to investigate incidences (especially at night). Features of the Autonomous Security Vehicle are depicted in the image below.



Australian Advanced Materials (AAM)

The Company continued development of the Nanocube Memory technology, advanced Intellectual Property and reviewed future development options.

During the quarter, AAM announced[2] it had successfully secured funding from the Australian Research Council Linkage to develop the Printable Memory technology with the University of New South Wales and CSIRO. Funding from the Australian Research Council Linkage program will be used to significantly enhance the Nanocube printable memory technology owned by subsidiary Company 'Australian Advanced Materials (AAM). The Project will be led by UNSW Associate Professor Dewei Chu, co-inventor of the Nanocube Memory Ink and will produce metal oxide based nanomaterials for printable, flexible and cost-effective memory devices. The project aims to develop next generation printable memory devices with low cost and excellent stability. The expected outcomes will be new electronic materials for a wide range of uses in flexible electronics and significant advances in energy efficient data storage devices. IP and commercialisation rights remain with AAM.

Funding secured included $320,000 in cash from the Australian Research Council Linkage and $414,000 in-kind from UNSW, as announced on 30 July 2020. Total budget for the collaborative project is $1,069,000 and all importantly IP and commercialisation rights remain with AAM[2].

Other Projects:

Strategic Materials (SML)

No exploration was conducted during the quarter. Consultants progressed an environmental review on the Golden Blocks Project as part of consultations with New Zealand stakeholders. The findings of the review will be used for discussions with stakeholders during 2020. SML aims to progress exploration within Golden Blocks as soon as possible.

Maria Resources (MRL)

No exploration was conducted during the quarter. A review of the Leviathan Project continued.

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Financial Activities

Group expenditure was approx. $403k which included project development, product manufacturing costs and administration costs. The Company notes that the September 2020 quarter's expenditure increased over June 2020 due to the once of income received in June from R&D rebates, related to FY19 R&D activities.

AAM incurred net expenditure of $11k due to the new funding arrangements announced under the ARC Linkage project[2]. **Stealth** received $43k in contract revenue and $78k in Government Grants. Stealth invested further in development of the ASV with $218k expensed directly on final R&D development, staff and operating costs. **Maria Resources** received income of $57k and expensed 36k in development expenditure. **Strategic Materials** expenditure, principally for permit fees and consulting services, was approx. $26k. **Strategic Elements** had net expenditure of $290k.

Related party payments of $152k were made to three executive directors (Murphy, Nicholls and Howard) who comprise three of the four fulltime Executive staff of Strategic Elements. These payments were inclusive of superannuation and services for conducting ASX company secretarial, technical development, business development, corporate, marketing and project management services as well as Directors Fees for board positions to four subsidiary companies and to the ASX Listed head entity Strategic Elements. Strategic Elements Ltd finished the September 2020 quarter with $1.9m in cash after net cash expenditure of $403k was incurred.

More Information:

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This announcement was authorised for release by Strategic Elements' Board of Directors.

[1] https://dataintelo.com/report/perimeter-security-market/
[2] ASX release on 30/07/2020

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Strategic Elements Limited	
ABN	**Quarter ended ("current quarter")**
47 122 437 503	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3.months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	100	100
1.2	Payments for		
	(a) research and development	(74)	(74)
	(b) product manufacturing and operating costs	(122)	(122)
	(c) advertising and marketing	(25)	(25)
	(d) leased assets	-	-
	(e) staff costs	(222)	(222)
	(f) administration and corporate costs	(142)	(142)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	79	79
1.8	Other (provide details if material)	-	-
1.9	**Net cash used in operating activities**	**(403)**	**(403)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(15)	(15)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3.months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash used in investing activities**	**(15)**	**(15)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,310	2,310
4.2	Net cash used in operating activities (item 1.9 above)	(403)	(403)
4.3	Net cash used in investing activities (item 2.6 above)	(15)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3.months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,892**	**1,892**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	352	770
5.2	Call deposits	1,500	1,500
5.3	Bank overdrafts	-	-
5.4	Other (1 Year Term Deposit)	40	40
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,892**	**2,310**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	152
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash used in operating activities (item 1.9)	(403)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,892
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,892
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	4.69

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27-10-2020

Authorised by: Matthew Howard
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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